

Message Text

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TO SECSTATE WASHDC NIACT IMMEDIATE 7917

C O N F I D E N T I A L SECTION 1 OF 8 BRASILIA 1508

STADIS//////////

EXDIS

FOR THE SECRETARY AND ASSISTANT SECRETARY ROGERS

E.O.11652: GDS

TAGS: PFOR, XR, BR

SUBJECT: STATE OF U.S./LATIN AMERICAN RELATIONS

1. SUMMARY: THE TELEGRAM ADDRESSES THE SECRETARY'S QUESTIONS OF JANUARY 6: WHAT DO THE LATIN AMERICANS WANT FROM US AND WHAT CAN WE GET FROM THEM? THE PRINCIPAL CONCLUSIONS: AS LDC'S, THE LATIN AMERICANS ARE ESSENTIALLY SEEKING A REDISTRIBUTION OF WEALTH AND ECONOMIC POWER, A GENERAL DEMAND TRANSLATED INTO SPECIFIC DEMANDS: THEY HAVE ALWAYS LOOKED UPON THE NEW DIALOGUE AS A VEHICLE FOR GETTING, THROUGH THE SECRETARY, FULFILLMENT OF THEIR DEMANDS: THEY HAVE BECOME PROGRESSIVELY DISILLUSIONED WITH THE DIALOGUE, AND THE TRADE ACT EPITOMIZED FOR THEM THE REITERATION OF RESISTANCE TO THEIR CLAIMS FOR SIGNIFICANT RESOURCE TRANSFERS: FOR OUR PART, WE ARE NOT WILLING OR ABLE TO COMPLY WITH THE LA REQUIREMENTS EXCEPT IN MINOR WAYS: IN CONSEQUENCE, THERE IS NO CHANCE THAT WE WILL "GET" ANYTHING FROM THE LATIN AMERICANS, WHO WERE NEVER PREPARED TO PROVIDE A QUID PRO QUO FOR WHAT THEY CONSIDER THEIR DUE: IN THESE CIRCUMSTANCES WE SHOULD ADOPT A MORE MODEST, DAMAGE-LIMITING APPROACH, WITH EVEN GREATER BILATERALISM AS THE KEY OPERATING INSTRUMENT: A MUTUALLY TOLERABLE RELATIONSHIP IS FEASIBLE UNDER THIS APPROACH.

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A SECTION ON BRAZIL'S POSITION IN THIS PICTURE CONCLUDES

THAT BRAZIL IS ESPECIALLY SUITABLE FOR INTENSIFIED BILATERAL RELATIONS. END SUMMARY.

2. DURING THE CHIEFS OF MISSION MEETING IN WASHINGTON, YOU ASKED, IN COMMENTING THAT THE CONTENT OF THE NEW DIALOGUE WAS UNDEFINED: WHAT DO THE LATIN AMERICANS WANT FROM US AND WHAT SHOULD WE GET FROM THEM IF WE WERE TO MEET THEIR DEMANDS? YOU ALSO STATED THAT WE SHOULD BE PREPARED TO MAKE "SPECIAL EFFORTS" IN BEHALF OF THE COUNTRIES OF LATIN AMERICA BUT THAT THOSE EFFORTS HAD TO BE RECIPROCATED IN SOME FASHION.

3. IN PROVIDING MY OWN ANSWERS TO THE TWO QUESTIONS, I AM ACCEPTING, WITH ALL THE STANDARD CAVEATS, THE CHARGE AS LAID DOWN, THAT IS, TO CONSIDER "LATIN AMERICA" AS A WHOLE. AT THE END OF THIS TELEGRAM, YOU WILL FIND, HOWEVER, BRIEF COMMENTS INTENDED TO EXPLAIN BRAZIL'S POSITION WITHIN LATIN AMERICA, THE SPECIAL NATURE OF ITS DEMANDS AND EXPECTATIONS OF US, AND THE KIND OF BRAZILIAN RESPONSE WE CAN ANTICIPATE TO OUR DEMANDS FOR SOME MEASURE OF RECIPROCITY.

4. BY WAY OF PREFACE TO THE STATEMENT OF MY CURRENT VIEWS, I NOTE THAT THE QUESTIONS POSED ON JANUARY 6 HAVE BEEN ADDRESSED IN INNUMERABLE DEPARTMENT AND NSC DOCUMENTS PREPARED DURING THE PAST HALF-DOZEN YEARS. MY OWN JUDGMENTS ABOUT THE RIGHT ANSWERS ARE EMBODIED IN ARA'S CONTRIBUTIONS TO THAT MASS OF MATERIAL THAT WERE MADE IN THE APRIL 1969 - MAY 1973 PERIOD. (IN ADDITION, I HAVE GIVEN MY OPINIONS ON A MORE CURRENT BUT LESS SYSTEMATIC BASIS TO SENIOR DEPT OFFICERS VISITING BRASILIA.) SINCE MAY OF 1973, THERE HAVE BEEN, IN MY OPINION, NO SIGNIFICANT CHANGES IN THE BASIC US-LATIN AMERICAN RELATIONSHIP. EVEN THE RECENT NEGATIVE MANIFESTATIONS OF THE CHRONIC SICKNESS OF THAT RELATIONSHIP ARE NOT, IN QUALITY OR KIND, DIFFERENT FROM THE CONFRONTATIONS OF PANAMA IN 1971, IN THE "TUNE MFM" OF 1971, IN BOGOTA IN 1972, OR IN THE 1973 OASGA. SHOCKED REFERENCES IN THE US PRESS-- AND BY SOME US OFFICIALS, IT WOULD APPEAR FROM HERE-- TO THE "UNPRECEDENTED" NATURE OF THE UNANIMOUS LA VOTE

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AGAINST US ON THE TRADE ACT ARE LAMENTABLE NOT BECAUSE THEY BETRAY HOW FALLIBLE MEMORIES ARE BUT BECAUSE THEY SEEM TO BETRAY A LACK OF UNDERSTANDING OF WHAT LATIN AMERICA-US RELATIONS ARE--AND SINCE AT LEAST THE LATE FIFTIES HAVE BEEN--ALL ABOUT.

5. ALTHOUGH, AS I SEE IT, THE UNDERLYING RELATIONSHIP BETWEEN US AND THE LATIN AMERICANS HAS NOT CHANGED,

THERE HAVE BEEN TWO MAJOR DEVELOPMENTS SINCE MID-1973
THAT HAVE CERTAINLY Affected THE TENOR AND THE INTENSITY
OF THE RELATIONSHIP. ONE WAS YOUR ACCESSION, FOLLOWED
ALMOST IMMEDIATELY BY YOUR INVITATION TO THE NEW
DIALOGUE. THE OTHER WAS THE ASSAULT OF OPEC.

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C O N F I D E N T I A L SECTION 2 OF 8 BRASILIA 1508

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EXDIS

I. WHAT DO THE LATIN AMERICANS WANT?

A. THE PRIMARY ECONOMIC DIMENSION

6. IN ESSENCE, THE LATIN AMERICANS, LIKE EVERY OTHER
LESS-DEVELOPED PEOPLE, ARE DEMANDING FROM US COOPERATION
IN A REDISTRIBUTION--OVER TIME, A MASSIVE REDISTRIBUTION--
OF THE WORLD'S RICHES AND ECONOMIC POWER.

7. THAT ELEMENTAL DEMAND IS DIRECTED BY THE LDC'S AS
A GROUP NOT ONLY TO US BUT TO ALL THE OTHER MEMBERS OF
THE INDUSTRIALIZED WORLD. FOR THE LDC'S WHO HAPPEN TO
INHABIT THE WESTERN HEMISPHERE, HOWEVER, THE DEMAND IS
LEVIED PARTICULARLY UPON US BECAUSE OF A COMPLEX OF
HISTORICAL, POLITICAL AND ECONOMIC REASONS. MOREOVER,
INSTITUTIONAL ARRANGEMENTS THAT HAVE GROWN UP OVER SCORES
OF YEARS PROVIDE THE LATIN AMERICANS WITH MECHANISMS AND
INSTRUMENTS THAT PERMIT A CONCENTRATED ATTACK ON A
SINGLE TARGET TRAPPED IN A ROOM (THE OAS) THAT IS AT
THE SAME TIME AN AMPLIFYING BOX FOR THE DEMANDS FOR
"INTERNATIONAL SOCIAL JUSTICE", OR "COLLECTIVE ECONOMIC
SECURITY", OR "REFORMULATION OF THE STRUCTURES OF THE

INTERNATIONAL ECONOMIC RELATIOSHIP" (GEISEL'S PHRASE),
OR A CERDS.

7. ALL THESE TERMS REPRESENT IN ONE WAY OR ANOTHER THE
INSISTENCE OF LATIN AMERICA THAT THE HOUR OF THE HAVE-NOTS
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HAS STRUCK; THAT IT IS TIME THAT WHAT THEY CONSIDER TO BE THE SECULAR INEQUITIES WERE RIGHTED; THAT THE WEALTH AND POWER ACCUMULATED BY THE DEVELOPED WORLD, IN PART AT THEIR EXPENSE, BE SHARED (AND LET THERE BE NO DOUBT BUT THAT WE HAVE MADE A GOOD THING OF LATIN AMERICA FOR SEVENTY-FIVE YEARS); THAT THE INEXORABLE GROWTH OF THE GAP IN STANDARDS OF LIVING BETWEEN THE DEVELOPED AND THE LESS-DEVELOPED BE ARRESTED AND REVERSED. TO US MUCH OF THIS IS AT THE VERY LEAST EXAGGERATED; SOME OF IT PRICKS OUR CONSCIENCE. BUT IN EVERY LATIN AMERICAN COUNTRY AND GOVERNMENT, BELIEVE IN THE LOGIC OF THESE DEMANDS AND IN THE REALITY OF THE CONDITIONS THAT GIVE RISE TO THEM VARIES ONLY IN DEGREE.

9. THIS FUNDAMENTAL DRIVE FOR REDISTRIBUTION OF ECONOMIC WEALTH AND POWER IS TRANSLATED BY THE LATIN AMERICANS INTO SPECIFIC DEMANDS. IT IS HARDLY NECESSARY TO REHEARSE THEM; THEY HAVE APPEARED ON EVERY LATIN AMERICAN AGENDA FOR YEARS. IT IS SUFFICIENT TO NOTE THAT THEY EN-COMPASS ALL THE CLASSICAL VEHICLES FOR THE RAPID AND SUBSTANTIAL TRANSFER OF RESOURCES: UNENCUMBERED ACCESS TO THE US MARKET FOR THEIR EXPORTS; THE REDRESS AND STABILIZATION OF THE TERMS OF TRADE; THE PROVISION OF MODERN TECHNOLOGY ON THE CHEAP AND COOPERATION IN THE CREATION OF NATIONAL TECHNOLOGIES; A HEAVY FLOW OF INVESTMENT SUBJECT TO CLOSE CONTROL AND GUIDANCE BY THE RECIPIENT; OFFICIAL DEVELOPMENT ASSISTANCE ON GENEROUS TERMS AND IN GENEROUS AMOUNTS. THERE IS, OF COURSE, A DEFENSIVE ASPECT AS WELL: OPPOSITION TO MULTINATIONALS; OPPOSITION TO US LAW OF THE SEA POSITONS THAT MAY THREATEN NEW AND MORE SOPHISTICATED "EXPLIATIVE" ACTIONS BY US--IN SHORT, ATTEMPTS BY THE LATINS TO PROTECT WHAT THEY NOW HAVE.

10. ACCOMPANYING THESE DEMANDS IS THE EFFORT, DESIGNED TO FORCE THE INSTITUTIONALIZATION OF THE REDISTRIBUTIVE PROCESS, TO MAKE THE US AND THE DC'S IN GENERAL ACCEPT LEGALLY BINDING OBLIGATIONS TO PROVIDE THE REQUISITE TRANSERS OF RESOURCES. THIS CONCEPT IS SO UBIQUITOUS AND SO MULTI-FACTED THAT ELABORATIOMN IS UNNECESSARY.

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B. THE OTHER DIMENSIONS - POLITICAL, PSYCHOLOGICAL
AND CULTURAL.

11. THE LATIN AMERICAN DRIVE FOR A FAIRER DISTRIBUTION
OF THE WORLD'S WEALTH AND ECONOMIC POWER IS INENSIFIED,
AND ITS PRIMARY DIRECTION PARTY EXPLAINED, BY THE
EXISTENCE, VERY WIDESPREAD, OF AN ATTITUDE TOWARD US
THAT HAS EVOLVED OUT OF DEEPLY ROOTED POLITICAL,
PSYCHOLOGICAL AND CULTURAL FACTORS. THE HISTORICAL
SENSE OF DEPENDENCE, WITH ITS BURDEN OF SELF-DOUBT,
SELF-DEPRECIATION AND ENVY; THE SENSE OF CLAUSTROPHOBIC
POWERLESSNESS IN THE FACE OF OVERWHELMING US STRENGTH;
THE REALIZATION THAT, DESPITE ITS PAST LOYALTY AND EVEN
OCCASIONAL SERVILITY TOWARD US, LATIN AMERICA IS IN
TRUTH A SECONDARY AREA OF INTEREST FOR US; THE BELIEF
THAT THE UNITED STATES IS COLDLY MATERIALISTIC AND
INSENSITIVE TO THEIR VALUES THAT HAVE COMPENSATING
WORTH AND GIVE DIGNITY; THE RECURRENT FEAR THAT THE
UNITED STATES CAN AND WILL MAKE OR BREAK GOVERNMENTS,
OR AT LEAST RETALIATE HARSHLY, IF ITS ECONOMIC
OR ECONOMIC-IDEOLOGICAL INTEREST ARE UNDER THREAT --
ALL THESE NEGATIVE INTERPRETATIONS, IMAGES AND
SPECTRES ARE ONLY PARTIALLY OFFSET BY GENUINE ADMIRATION FOR
THE POSITIVE ASPECTS OF OUR SOCIETY AND OUR HISTORY OR
BY THE ACKNOWLEDGEMENT OF THE IMPORTANCE OF OUR ROLE IN
THE WORLD OR BY CONSIDERABLE SYMPATHY FOR US ON EAST-
WEST ISSUES. THE RESULT IS AN ATTITUDE TOWARD US THAT
RANGES FROM UNEASINESS IN THE DOCILE COUNTRIES THROUGH
SKEPTICISM AND SUSPICION TO OUTRIGHT PARANOIA IN THE
COMBATIVE COUNTRIES. GENUINE TRUST AND CONFIDENCE
IN OUR GOOD INTENTIONS ARE IN SHORT SUPPLY. BY AND
LARGE, THE LATIN AMERICANS WANT US TO GET OFF THEIR
BACKS, TO GIVE THEM BREATHING ROOM, TO ACKNOWLEDGE
THAT THEY ARE, IN FACT AS WELL AS IN THEORY,
SOVEREIGN AND INDEPENDENT SHAPERS OF THEIR OWN FATE.

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EXDIS

FOR THE SECRETARY AND ASSISTANT SECRETARY ROGERS

C. THE IMPORTANCE OF OPEC SUCCESS.

12. SO FAR, THE DRAMATIC SUCCESS OF OPEC HAS APPEALED TO THE LATIN AMERICANS ON BOTH THE ECONOMIC PLANE AND THE POLITICAL/PSYCHOLOGICAL AND CULTURAL PLANE. I SUSPECT THAT, FOR A MAJORITY OF LATIN AMERICANS, THE OPEC COUP MEANT THAT A GROUP OF LESS-DEVELOPED COUNTRIES HAD WRENCHED OUT OF THE RICH COUNTRIES A MASSIVE REDISTRIBUTION OF WEALTH AND POWER. MOREOVER, THE HIGH AND THE MIGHTY HAD BEEN REVEALED TO BE EXCEEDINGLY VULNERABLE, WITH THEIR ARROGANCE AND PREPOTENCE REDUCED TO DISARRAY AND DEFENSIVENESS. THE ORDERERS OF THE WORLD HAD BEEN BROUGHT IN SOME CASES TO THE CONDITION OF PANIC-STRICKEN SUPPLICANTS. NOTHING WOULD EVER BE QUITE THE SAME AGAIN: A VIRTUAL REVOLUTION HAD TAKEN PLACE. THE GRAVE ECONOMIC CONSEQUENCES TO MANY OF THE LATIN AMERICAN COUNTRIES WERE SECONDARY TO THE SATISFACTION OF SAVORING THERE

"VICTORY" AND TO THE NEED FOR LDC SOLIDARITY AGAINST THE FUTURE UTILIZATION OF OPEC TECHNIQUES FOR OTHER RAW MATERIALS. THIS KIND OF REACTION INCIDENTALLY ILLUSTRATES THE FALLACY OF TRUSTING TO THE COLD-BLOODED CALCULATION OF ECONOMIC INTEREST AS A RELIABLE

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GUIDE TO LATIN AMERICAN CONDUCT. SOVEREIGNTY, NATIONAL DIGNITY, PRIDE AND HONOR ARE NOT TO BE LIGHTLY DISMISSED AS SHIBBOLETHS EMPTY OF OPERATIVE MEANING.

13. IRONICALLY, THE VERY FACT THAT THE EXPLOSION OF OIL PRICES INDUCED SHARPLY ADVERSE ECONOMIC EFFECTS ON LATIN AMERICA, EFFECTS WHICH WERE SUBORDINATED AT FIRST TO THE VICARIOUS RELISHING

OF THE OPEC COUP, HAS REENFORCED ITS PSYCHOLOGICAL IMPACT BY BRINGING FORTH ADDITIONAL PRESSURES, DIRECTED PRINCIPALLY TOWARD THE OLD RICH AND NOT THE NEW FOR URGENT INCREASES IN THE TRANSFER OF RESOURCES. THE LATIN AMERICAN REACTIONS TO THE TRADE ACT ARE, I SHOULD JUDGE, PARTLY EXPLAINED BY THIS PHENOMENON.

D. THE LATIN AMERICAN VIEW OF THE NEW DIALOGUE.

14. FROM THE BEGINNING, THE LATIN AMERICANS, UNANIMOUSLY, I BELIEVE, HAVE VIEWED THE NEW DIALOGUE AS SERVING TWO LINKED PURPOSES: FIRST, A SUBSTANTIVE VEHICLE FOR GETTING SATISFACTION OF THEIR ECONOMIC DEMANDS (WITH POLITICAL ISSUES LIKE CUBA BEING NOISY BUT TRANSITORY AND THEREFORE REALLY SECONDARY); AND, SECOND, A PSYCHOLOGICALLY SATISFYING MEANS OF ENSURING YOUR ATTENTION TO LATIN AMERICA. FOR THE LATIN AMERICANS, THE OBJECTIVE OF THE DIALOGUE WAS TO ENGAGE YOUR PRESTIGE, YOUR MAGICIANLY QUALITIES, AND YOUR STANDING IN THE ADMINISTRATION, WITH THE CONGRESS AND WITH THE AMERICAN PEOPLE IN AN EFFORT TO OBTAIN A RAPID AND POSITIVE RESPONSE TO THE LITANY OF THEIR DEMANDS. THE DIALOGUE FOR THE LATINS WAS TO BE THE DECISIVE OPPORTUNITY TO MOVE THE USG -- THE WHOLE USG -- TO MAKE PROMPT AND SUBSTANTIAL US CONCESSIONS ACROSS THE BOARD.

15. JOINED TO THIS CLEAR PURPOSE WAS THE BELIEF THAT THE NEW DIALOGUE ASSURED YOUR CONTINUING ADDRESS TO THEIR CONCERNS. STARVED FOR YEARS FOR LACK OF ANY SYSTEMATIC, AND ENDURING ATTENTION FROM THE VERY HIGH LEVELS OF GOVERNMENT, THE LATIN AMERICANS, WITHOUT

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EXCEPTION, WERE ENORMOUSLY FLATTERED BY YOUR READINESS TO DEVOTE YOUR TIME TO THEM. DESPITE SOME NAGGING DOUBTS THAT THE INFORMALITY OF THE EXTRA-OAS FORMAT MIGHT EVENTUALLY SAP THE EFFORT TO PIN THE US DOWN IN A LEGALLY BINDING FASHION, THE LATIN AMERICANS ENJOYED THE OPPORTUNITY FOR FRANK DEBATE AFFORDED BY THE NEW SYSTEM. THEIR ACCEPTANCE OF THE INFORMAL MFM WAS AT BOTTOM, HOWEVER, A PERSONAL TRIBUTE TO YOU AND AN EXPRESSION OF THEIR HOPES IN YOU. AS RECENTLY AS APRIL 1973 THEY HAD SUSPICIOUSLY TURNED ASIDE A PROPOSAL BY YOUR PREDECESSOR FOR MEETINGS OF A SIMILAR KIND.

16. IN SHORT, THE LATIN AMERICANS WERE PREPARED TO GIVE YOU AND THE NEW DIALOGUE A FULL CHANCE TO PRODUCE THE RESULTS THAT THEY HAD SO LONG BEEN DENIED. AFTER

MEXICO CITY, ALL WERE INTERESTED; SOME WERE HOPEFUL; BUT MANY WERE SKEPTICAL THAT EVEN YOU COULD TURN THE TRICK. ALTHOUGH STILL MAINTAINING A WAIT-AND-SEE POSTURE, THE SKEPTICS WERE REENFORCED IN THEIR MISGIVINGS BY THE INTRODUCTION OF THE CONCEPT OF "COMMUNITY," WITH ITS APPARENT IMPLICATIONS OF SOME KIND OF POLITICAL COMMITMENT TO "SOLIDARITY" ON GLOBAL ISSUES. THIS SUGGESTION OF LATIN AMERICAN RECIPROCITY FOR OUR ECONOMIC CONCESSIONS CONFLICTED FRONTALLY WITH THEIR UNILATERAL VIEW OF THE PRIMARY PURPOSE OF THE DIALOGUE: THE UNREQUITED SATISFACTION OF LONG-STANDING LATIN AMERICAN ECONOMIC REQUIREMENTS.

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C O N F I D E N T I A L SECTION 4 OF 8 BRASILIA 1508

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EXDIS

17. IN THE NET, THE WASHINGTON AND ATLANTA MEETINGS STRENGTHENED THE SKEPTICS AND DISCOURAGED THE HOPEFUL. THE PAINFUL EXERCISES ON TECHNOLOGY TRANSFER AND THE TRANSNATIONALS ONLY WORSENERED THE SITUATION, AS THE NEGOTIATIONS BEGAN TO DEAL WITH THE DOCTRINAL POSITIONS STRONGLY HELD BY THE LATIN AMERICANS. QUITO WAS A SETBACK, PROBABLY MORE IN TERMS OF STYLE THAN SUBSTANCE. AND THERE IS NO BLINKING THE FACT THAT THE COMPLEXITIES OF YOUR OWN POSITION DOMESTICALLY HAVE SHAKEN THE LATIN AMERICANS.
E. THE TRADE ACT FUROR

18. I THINK THAT FOR ALL OF US THE LATIN AMERICAN REACTION TO THE TRADE ACT WAS PRETTY CLOSE TO INFURIATING.

NEVERTHELESS, IT SHOULD BE RECOGNIZED THAT THE OUTBURST WAS BY NO MEANS SOLELY, OR PERHAPS EVEN PRINCIPALLY, CAUSED BY VENEZUELAN MANIPULATION DESIGNED TO DIVERT ATTENTION FROM ITS OWN CULPABILITY FOR LATIN AMERICAN ECONOMIC DIFFICULTIES OR BY THE BLINDLY INSTINCTIVE TUG OF "LATIN AMERICAN SOLIDARITY". IN A LARGE SENSE, THE TRADE ACT TOUCHED ALL THE FRUSTRATIONS, DOUBTS AND FEARS ABOUT OUR READINESS OR ABILITY TO RESPOND TO THEIR DEMANDS FOR AN EQUITABLE SHARE OF ECONOMIC WEALTH AND POWER. THE ACT TO MANY, NOT ALL, WAS ANOTHER IN THE LINE OF NEGATIVE, OR AT BEST HIGHLY QUALIFIED, ANSWERS TO THEIR EFFORTS. ITS SHORT-
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COMINGS WERE BY NO MEANS CONFINED TO THE EXCLUSION OF THE OPEC COUNTRIES FROM THE GSP, ALTHOUGH THE THREAT OF EVENTUAL SANCTIONS AGAINST OTHER RAW MATERIALS ASSOCIATIONS WAS IMPORTANT BECAUSE IT INDICATED THAT, AS THE LDC WORM FINALLY BEGAN TO TURN, THE US WEAPONS OF RETALIATION WOULD BE UNLIMBERED. FOR MANY LATIN AMERICANS, THE ACT TOOK AWAY WITH ONE HAND WHAT HAD BEEN GIVEN WITH THE OTHER. FOR EVERY LIBERALIZATION PROVISION THERE WAS A COUNTERVAILING PROTECTIONIST LIMITATION OR THREAT OF LIMITATION. THE DISAPPOINTMENT OR DISILLUSIONMENT WOULD NOT HAVE BEEN SO PRONOUNCED HAD NOT THERE BEEN SOME EARLIER HOPE AMONG THE LATIN AMERICANS THAT THEIR SERIES OF COMPLAINTS ABOUT THE BILL WOULD BE LISTENED TO. STARTING AS THEY DID FROM THE PREMISE THAT THE NEW DIALOGUE WAS THE MEANS TO ACHIEVE ECONOMIC REDRESS AND NOURISHING THE BELIEF THAT YOU WERE THE ONE PREPARED AND QUALIFIED TO GIVE IT THE CONTENT THEY DEMANDED, THEY INTERPRETED THE ACT AS PASSED AS EVIDENCE THAT THE NEW DIALOGUE HAD REALLY CHANGED NOTHING IN THE STANDARD US RESPONSE. THE SKEPTICS, WHOSE RANKS HAD GROWN AS THE THRILL OF MEXICO CITY HAD DISSIPATED, WERE VINDICATED: THE NEW DIALOGUE WAS, AT BEST, BUT ANOTHER EXPRESSION OF GOOD INTENTIONS AND, AT WORST, A PUBLIC RELATIONS GIMMICK. IN LATIN AMERICAN EYES, IT HAD COME UP HARD AGAINST THE UNYIELDING AMERICAN RESISTANCE TO SIGNIFICANT CHANGES IN THE ECONOMIC STRUCTURES OF THE WORLD.

II. WHAT CAN WE GET FROM LATIN AMERICA?

A. THE PRIOR QUESTION

19. BEFORE ADDRESSING THE SECOND QUESTION OF JANUARY 6 ABOUT THE QUID PRO QUO WE SHOULD GET FROM LATIN AMERICA, IT IS LEGITIMATE TO EXAMINE OUR ABILITY AND READINESS TO MEET THE ELEMENTAL AND THE SPECIFIC LATIN AMERICAN DEMANDS. OUR PERFORMANCE IN SATISFYING THOSE DEMANDS

OBVIOUSLY HAS AN IMPORTANT BEARING ON WHAT WE CAN REALISTICALLY REQUIRE OF THEM OVER THE NEXT THREE TO FIVE YEARS. I RECOGNIZE THAT THERE IS INTELLECTUAL VIRTUE AND POTENTIAL LONG-RANGE UTILITY IN LOOKING AT THE QUESTION OF LATIN AMERICAN RECIPROCITY IN THE ABSTRACT,

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THAT IS, BASING OURSELVES ON THE ASSUMPTION THAT WE WILL BE ABLE AND WILLING TO SATISFY THE LATIN AMERICAN GENERAL AND SPECIFIC DEMANDS, PROVIDED THERE IS ENOUGH INDUCEMENT FOR US. I WILL ADDRESS THE ABSTRACTION IN VARIOUS PLACES BELOW, BUT IT IS THE CURRENT AND SHORT-TERM REALITY THAT IS THE MORE PRESSING.

20. FOR ME, IT IS ABSOLUTELY CLEAR THAT NEITHER THE EXECUTIVE BRANCH NOR THE CONGRESS NOR THE AMERICAN PEOPLE IS NOW OR WILL BE FOR MANY YEARS, PREPARED TO ACCEPT THE BASIC LDC DEMAND FOR A SIGNIFICANT AND PERMANENT SHIFT IN THE DISTRIBUTION OF WORLD WEALTH AND ECONOMIC POWER. IN THE FIRST PLACE, THE BELEAGUERED STATE OF THE US ECONOMY, WHICH ACCORDING TO THE FORECASTS IN THE BUDGET MESSAGE WILL PERSIST FOR SEVERAL MORE YEARS, WILL SIMPLY NOT PERMIT THE TREMENDOUS EXERTION OF POLITICAL WILL AND ECONOMIC SACRIFICE THAT SATISFACTION OF THE DEMAND WOULD ENTAIL. BEYOND THIS DOMINANT FACT THERE ARE ENORMOUS ISSUES OF PRINCIPLE OR ETHICS OR MORALS STANDING IN THE WAY OF ANY REAL MOVE TOWARD MEETING THE FUNDAMENTAL DEMAND OR EVEN MANY OF THE CURRENT DETAILED DEMANDS. WE ARE FAR FROM READY, FOR EXAMPLE, TO ACCEPT AS A MATTER OF BINDING OBLIGATION THE PROVISION OF ECONOMIC BENEFITS TO THE LESS DEVELOPED. TO DRAW A ROUGH AND IMPERFECT ANALOGY, IT WAS ONLY IN THE THIRTIES THAT WE RESOLVED THE DOMESTIC DABATE OVER THE RESPONSIBILITY OF THE COLLECTIVITY TO HELP THE DISADVANTAGED THROUGH THE TAXING POWER. EVEN NOW THERE ARE SECTORS OF OUR SOCIETY WHO MAINTAIN THAT PRIVATE, VOLUNTARY CHARITY IS MORE IN KEEPING WITH THE AMERICAN ETHIC THAN GOVERNMENT "HANDOUTS" MADE AT THE EXPENSE OF THE RESPONSIBLE AND HARD-WORKING TO THE INCOMPETENT AND LAZY. SOME DAY WE MAY--WE MAY BE FORCED TO--ACCEPT THE PRINCIPLE OF A LEGAL AND NOT ONLY MORAL OBLIGATION TO THE DISADVANTAGED ON A GLOBAL SCALE, BUT I FEAR THAT ONLY A CATASTROPHIC WORLD SITUATION ANALOGOUS TO THE GREAT DEPRESSION WOULD BEGIN TO MOVE US IN THAT DIRECTION. MEANWHILE, WE WILL CONTINUE TO INSIST THAT THE VENEFITS WE CONFER ON THE LESS-DEVELOPED ARE NOT A RIGHT OF THEIRS THAT WE RECOGNIZE BUT AN ACT OF GRACE ON OUR PART.

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STADIS//////////

EXDIS

FOR THE SECRETARY AND ASSISTANT SECRETARY ROGERS

21. NEITHER ARE WE READY TO YIELD IN ANY REAL WAY OUR LONG-HELD PRINCIPLES OR PRACTICES THAT ARE SO MUCH INVOLVED IN THE CONFLICTS OVER MANY SPECIFIC LATIN AMERICAN DEMANDS. HERE I REFER, FOR EXAMPLE, TO THE IMPASSES CREATED BY THE LATIN AMERICAN RESISTANCE TO DILUTION OF THE CALVO PRINCIPLE AND OUR INSISTENCE ON THE APPLICATION OF CLASSICAL INTERNATIONAL LAW AND CORRESPONDING RESORT TO INTERNATIONAL CONCILIATION OR FACT-FINDING. THE VERY ORGANIZATION OF OUR ECONOMIC SOCIETY MILITATES DECISIVELY AGAINST OUR ABILITY AND READINESS TO MEET LATIN AMERICAN PRESSURES TO GET THE USG TO FORCE US COMPANIES TO MAKE MAJOR MODIFICATIONS IN THEIR PROVISION OF TECHNOLOGY.

22. THUS, FOR BOTH HIGHLY PRACTICAL REASONS AND OUT OF PRINCIPLE, WE ARE NOT READY OR ABLE TO RESPOND TO THE DEMANDS OF THE LATIN AMERICANS IN A WAY THEY WOULD CONSIDER MEANINGFUL OR SATISFACTORY. EVEN OUR CAPACITY TO CONTINUE TO NIBBLE AT THE EDGES OF THE PROBLEM, TO PALLIATE THE SITUATION, IS INCREASINGLY SUBJECT TO

QUESTION, AS THE UNCERTAINTIES ABOUT REPLENISHMENT OF
THE DEVELOPMENT BANKS ILLUSTRATE. WE ARE, IN SHORT, NOT REALLY
CAPABLE OF "SPECIAL EFFORTS". IN SOME RESPECTS, WE
ARE RELIVING IN AN EVEN MORE INTENSE WAY THE PROGRESSION
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OF OCTOBER '69 TO MID-1970, WITH THE LAUNCHING
OF THE NEW DIALOGUE EQUIVALENT TO THE PRESIDENTIAL
SPEECH AND THE RESTRAINTS IMPOSED BY THE CURRENT ECONOMIC
SITUATION A MAGNIFIED VERSION OF THE ECONOMIC DECAY
THAT BECAME EVIDENT IN MID-1970 AND THAT LED TO
THE ABANDONMENT OF POSTPONEMENT OF MOST OF THE PROMISES
OF OCTOBER 31. TO EXTEND THIS ROUGH-HEWN PARALLEL
FURTHER, THE LATIN AMERICAN REACTION TO THE TRADE ACT
WOULD CORRESPOND TO THEIR REACTION TO THE SHOCKS OF
AUGUST 1971. IT IS NOTEWORTHY THAT SENIOR BRAZILIAN
OFFICIALS HAVE CITED THE "ECONOMIC NATIONALISM"
EVIDENT IN THE TRADE ACT IN THE SAME FASHION THAT
MANY LATIN AMERICANS USED THE TERM IN CONNECTION WITH
THE AUGUST 1971 MEASURES.

B. LATIN AMERICAN RECIPROCITY IN CONDITIONS OF REALITY

23. WHAT ARE WE LEFT WITH CONCERNING A QUID PRO QUO
FROM LATIN AMERICA IF, AS I STRONGLY BELIEVE, WE
CANNOT GIVE IT WHAT IT WANTS AND THINKS IT NEEDS TO
HAVE? NOT VERY MUCH. IN THE FIRST PLACE--AND THIS
RELATES BOTH TO THE REAL PRESENT AND THE ABSTRACT
FUTURE--THERE IS VERY CONSIDERABLE EVIDENCE THAT THE
LATIN AMERICANS HAVE NEVER ACCEPTED, EVEN AT THE PEAK
OF THEIR HOPES IN THE NEW DIALOGUE, THE IDEA THAT THE
SATISFACTION OF THEIR REQUIREMENTS ENTAILED ANY KIND
OF RECIPROCITY. THEIR CAUSE, TO THEM, IS JUST: THEY
ARE DEMANDING ONLY THAT HISTORICAL WRONGS BE RIGHTED.
MOREOVER, THEY CONSIDER THAT THE CORRECTION OF PAST
INJUSTICES IS OBVIOUSLY IN OUR POLITICAL AND ECONOMIC
SELF-INTEREST. NEITHER ARE THEY UNMINDFUL THAT, BY
AND LARGE, THEY ARE HELPFUL, SOMETIMES ESSENTIAL, TO
US ON "EAST-WEST" ISSUES IN THE INTERNATIONAL ORGANIZATIONS.
FINALLY, THEY DO NOT BELIEVE THAT WE CAN
ABANDON, IN OUR OWN INTEREST, THE ROLE OF ULTIMATE
GUARANTOR OF THE SECURITY OF THE HEMISPHERE.

24. ALL THESE CONSIDERATIONS MAKE THE LATIN AMERICANS
NOT ONLY RESISTANT BUT ALMOST OBLIVIOUS TO THE CONCEPT
OF RECIPROCITY. THE EXPERIENCE IN MEXICO CITY WITH
THE STRONG NEGATIVE REACTIONS TO THE INTIMATIONS OF
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ALLIANCE ON GLOBAL ISSUES, AFFORDS ANOTHER DIMENSION.
AS I UNDERSTAND THE SITUATION, THE LATIN AMERICANS
IMMEDIATELY BECAME SUSPICIOUS THAT WE HAD IN MIND SOME
COMBINATION OF FORCES, SOME "SOLIDARITY" ON MATTERS
OF MOMENT TO THE LDC COMMUNITY. I AM EXTREMELY SKEPTICAL
THAT THE LATIN AMERICANS WOULD ENTERTAIN THE NOTION
THAT, IN ORDER TO CONCERT WITH THE UNITED STATES, THEY
WOULD IN ANY SYSTEMATIC OR COLLECTIVE WAY SPLIT OFF
FROM THEIR LDC ASOCIATES WHOSE COMBINED WEIGHT REPRESENTS A
POWERFUL LEVER ON THE DC'S.

25. THESE FORCES THAT WORK AGAINST OUR ABILITY TO GET
SOMETHING FROM THE LATIN AMERICANS WOULD OPERATE IN
EITHER CONDITIONS OF RAEALITY OR IN THE ABSTRACT. BUT
THEY ARE, OF COURSE, MOST DIFFICULT OBSTACLES TO RECIPROCITY,
NO MATTER HOW ATTENUATED, IN THE CURRENT
AND FORESEEABLE SITUATION CHARACTERIZED BY OUR INCAPACITY
TO MAKE MORE THAN MINOR CONCESSIONS TO LATIN
AMERICAN POSITIONS. TO ILLUSTRATE: WE WANT THE LATIN
AMERICANS "TO TAKE OUR CONCERNNS INTO ACCOUNT", TO
ENGAGE IN A PROCESS OF "MUTUAL ADJUSTMENT OF POSITIONS".
THE CRITICAL PROBLEM IS THAT THE VERY MATTERS ON WHICH
WE SEEK ADJUSTMENT--RESORT TO INTERNATIONAL MEANS
OF RESOLVING INVESTMENT DISPUTES, GENERAL ACKNOWLEDGMENT
OF HOST-COUNTRY RESPONSIBILITIES TOWARD INVESTORS, SUBSIDIES
FOR EXPORTS, BARRIERS TO OUR IMPORTS--ARE AT
THE HEART OF THE GENERAL LATIN AMERICAN CLAIMS AGAINST
US. IT IS POSSIBLE THAT, IN ABSTRACT OR IDEAL CIRCUMSTANCES
OF "GOOD" PERFORMANCE ON OUR PART, DEALS CAN
BE STRUCK, BUT SO LON AS WE OURSELVES ARE ESSENTIALLY
IMMOBILE THERE IS NO INCENTIVE OR STIMULUS FORTHE LATIN
AMERICANS.

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III. THE CONSEQUENCES FOR POLICY

26. I ACKNOWLEDGE THAT WHAT HAS GONE BEFORE ADDS UP TO A RATHER GRIM PROGNOSIS. I BELIEVE THAT THE CONFLICTING INTERESTS ON THE TRULY FUNDAMENTAL ISSUES FULLY WARRANT PESSIMISM ABOUT THE PROSPECTS FOR A POSITIVE RELATIONSHIP WITH LATIN AMERICA. IT DOES NOT WARRANT DESPAIR, HOWEVER, NOR DOES IT MEAN THAT A MUTUALLY TOLERABLE REALTIONSHIP CANNOT BE MAINTAINED. WE HAVE, I JUDGE, CONSIDERABLE ROOM FOR MANEUVER BUT TO PERMIT ITS UTILIZATION IT WILL BE NECESSARY TO MAKE IMPORTANT ADJUSTMENTS IN POLICY.

27. IN THE FIRST PLACE, I BELIEVE THAT WE SHOULD CAREFULLY BUT SURELY DOWNGRADE OUR PARTICIPATION IN THE ECONOMIC ORGANS OF THE OAS (I DO NOT EXCLUDE BY ANY MEANS EVENTUAL WITHDRAWAL SOME YEARS HENCE FROM THE ORGANIZATION, WITH OUR ROLE IN SECURITY AND PEACE-KEEPING FUNCTIONS CARRIED OUT APART.) AT THE PRESENT THE OAS IS, FOR THE LATIN AMERICANS, A DEVICE FOR TRYING TO EXTRACT LEGALLY BINDING COMMITMENTS FROM US OR A COURT INTO WHICH WE CAN BE HALED PRACTICALLY AT WHIM.

28. IN ANY CASE, THE MAJOR ECONOMIC ISSUES BETWEEN US AND LATIN AMERICA ARE GLOBAL IN NATURE AND ARE BEING TREATED, OFTEN EXCLUSIVELY, IN GLOBAL FORUMS. WE HAVE CONFIDENTIAL

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MORE MANEUVERABILITY IN THOSE FORUMS, AND, UNLIKE THE SITUATION IN THE OAS, WE ARE NOT WITHOUT DC ALLIES. MOREOVER, IT IS EASIER TO SEEK TO ADJUST POSITIONS ON THE BASIS OF TRADE-OFFS WITH LATIN AMERICAN COUNTRIES IN THE GLOBAL FORUMS (E.G., THE MTN) THAN IN THE SUPER-HEATED AND RIGID ATMOSPHERE OF THE OAS.

29. IMPLICIT IN THE FOREGOING DISCUSSION IS AN EVEN GREATER EMPHASIS ON BILATERALISM. ALTHOUGH ON THE FUNDAMENTAL ISSUE OF THE REDISTRIBUTION OF ECONOMIC WEALTH AND POWER THERE IS IDENTITY OF VIEWS AMONG THE LATIN AMERICANS, THERE ARE DIFFERING APPRECIATIONS OF THE IMPORTANCE OF SPECIFIC ISSUES. THESE DIFFERENCES ARE EXPLOITABLE

BOTH IN GLOBAL FORUMS AND IN STRICTLY BILATERAL RELATIONS.
THE KEY ISSUES OF ENERGY, ACCESS TO RESOURCES IN GENERAL
AND FOOD LEND THEMSELVES TO THESE KINDS OF BILATERAL
TREATMENT.

30. A CONSEQUENCE OF THE REASONING ABOVE IS THE SUGGESTION THAT WE BE READY TO GIVE UP DEFINITIVELY THE EFFORT TO MAKE THE NEW DIALOGUE A VEHICLE FOR RECIPROCAL ADJUSTMENT OF DIFFERENCES BETWEEN US AND THE LATIN AMERICANS. AS I EXPLAINED BEFORE, I AM PERSUADED THAT THE LATIN AMERICANS WILL NOT AND CANNOT, ACCEPT EVEN DILUTED RECIPROCITY IN A COLLECTIVE INTER-AMERICAN FORUM, NO MATTER HOW INFORM. THE HOPE THAT AN ESCAPE FROM THE BUREAUCRATIC RIGIDITIES OF THE OAS WOULD PRODUCE A HEALTHY ACCOMMODATION HAS PROVEN ILLUSORY UP TO NOW-- ALTHOUGH IT CERTAINLY MERITED A TRY. BECAUSE, HOWEVER, OF THE INVESTMENT YOU HAVE PUT INTO IT, THE OUTSIDE CHANCE OF A CHANGE OF HEART ON THE PART OF KEY LATIN AMERICANS, THE CONTINUED INTEREST OF SILVEIRA IN THE DIALOGUE, AND ITS VALUE AS AN INSTRUMENT OF STYLE, I BELIEVE THAT A FINAL DECISION SHOULD BE MADE BY YOU ONLY AFTER YOUR FORTHCOMING TRIP.

31. IN IMPORTANT RESPECTS THE MODIFICATIONS SUGGESTED ABOVE WOULD CONSTITUTE A DAMAGE-LIMITING OPERATION. I BELIEVE THAT IS WHAT IS CALLED FOR UNDER EXISTING AND FORESEEABLE CONDITIONS. IT IS PATENT THAT AN INDISPENSABLE COMPONENT OF SUCH A POLICY APPROACH IS CONFIDENTIAL

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THE AVOIDANCE OF NEGATIVE ACTIONS ALONG THE WHOLE RANGE OF RESOURCE TRANSFERS BUT PARTICULARLY IN THE TRADE FIELD.

31. THESE SUGGESTIONS IN SUM COMPRIZE, I SUPPOSE, A RECOMMENDATION FOR A MORE MODEST APPROACH COMMENSURATE WITH OUR PREDICTABLE RESOURCES AND THE INTRACTABILITY OF THE BASIC PROBLEM BETWEEN US AND THE LATIN AMERICANS. I BELIEVE THAT WE CAN STABILIZE A TOLERABLE RELATIONSHIP ON THESE BASES OR SOMETHING LIKE THEM, WITH INCREASED RESORT TO BILATERALISM AS THE KEY OPERATIONAL INSTRUMENT. LOOKING AHEAD FROM THAT PERSPECTIVE, IT IS EVEN POSSIBLE, WITHOUT BEING TOO POLLYANNA-ISH, TO SEE SOME BRIGHT SPOTS AHEAD: SUCCESSFUL MTN'S BASED ON A POSITIVE ADMINISTRATION OF THE TRADE ACT; AN ACCEPTABLE LOS TREATY, WHICH WILL RESOLVE AN INFLAMMATORY SUBJECT; A REMOVAL OF THE CUBA ISSUE FROM ITS DISPROPORTIONATE POSITION ON THE AGENDA; AND CONTINUED MAJORITY SUPPORT FROM LATIN AMERICA ON EAST-WEST QUESTIONS OF IMPORTANCE TO US.

IV. THE POSITION OF BRAZIL

33. THE VERY FIRST POINT THAT MUST BE MADE IN SITUATING BRAZIL WITHIN THE LANDSCAPE SKETCHED ABOVE IS TO SAY THAT BRAZIL, WHICH CONSIDERS ITSELF STILL UNDEVELOPED, FULLY SHARES THE LDC'S ELEMENTAL DEMAND FOR A FAIRER INTERNATIONAL DISTRIBUTION OF WEALTH AND ECONOMIC POWER. IN BRAZIL'S CASE, THE DEMAND HAS, INDEED, MORE PRACTICAL SIGNIFICANCE THAN IT HAS FOR MANY OTHER LATIN AMERICANS AND LDC'S IN GENERAL. BRAZIL HAS THE ATTAINMENT OF DEVELOPED STATUS IN SIGHT; IT IS DETERMINED TO REACH IT RAPIDLY; AND IT DOES NOT INTEND TO BE HINDERED BY FROZEN "STRUCTURES OF INTERNATIONAL ECONOMIC RELATIONSHIPS".

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34. FOR THOSE REASONS, BRAZIL LOOKS UPON ASSOCIATION AND SOLIDARITY WITH THE LDC'S GENERALLY AND LATIN AMERICA PARTICULARLY AS A MEANS OF MAGNIFYING ITS BARGANINING POWER WITH THE DC'S, INCLUDING THE US. IN ADDITION TO HAVING THIS MOTIVATION, BRAZIL WISHES TO MAINTAIN A POSITION OF LEADERSHIP WITHIN THE LDC CAMP.

35. WITH RESPECT TO SPECIFIC LA DEMANDS, BRAZIL TENDS TO CONCENTRATE ITS ATTENTION ON TRADE ISSUES AND HAS SHOWN ITSELF READY ON OCCASION TO TAKE A LEADING ROLE WITHIN LDC AND LATIN AMERICAN COUNCILS ON MATTERS (E.G., COUNTERVAILING DUTIES AND SUBSIDIES) OF DIRECT

INTEREST TO IT. BRAZIL HAS BEEN TOUGH IN THE WORKING GROUP ON TRANSFER OF TECHNOLOGY, A POINT OF MAJOR IMPORTANCE IN ITS INDUSTRIALIZATION EFFORT. IT HAS NOT BEEN AGGRESSIVE ON THE MNC QUESTION, BUT IT HISTORICALLY HAS BEEN OPPOSED TO THE USE OF INTER-NATIONAL MECHANISMS IN INVESTMENT DISPUTES.

36. EVEN ON MATTERS OF DIRECT AND IMMEDIATE INTEREST TO IT, BRAZIL HAS NOT TAKEN A STRIDENT OR DEMAGOGIC POSITION WITHIN LDC AND LA GROUPINGS. IT HAS GENERALLY ACTED AS A MODERATING FOCE ON DC-LDC ISSUES, BUT, AFTER IT HAS EXERCISED, SUCCESSFULLY OR NOT, A MEDIATING INFLUENCE, IT ALMOST ALWAYS ALIGNS ITSELF WITH THE LDC'S. IN SHORT, BRAZIL WILL NOT ISOLATE ITSELF FROM ITS LDC

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PARTNERS, PARTICULARLY IN AN INTER-AMERICAN FORUM.

37. ITS SENSITIVITY ABOUT ISOLATION STEMS IN PART FROM ITS POSTURE TOWARD THE UNITED STATES. BRAZIL ATTACHES GREAT IMPORTANCE TO ITS TIES WITH US. HISTORICALLY, OUR RELATIONS HAVE ALWAYS BEEN CLOSE, AND WE, AS A TRADING PARTNER AND AS A SOURCE OF INVESTMENT AND FINANCING, ARE STILL CRITICAL TO BRAZIL. IN SPITE OF THESE CORDIAL RELATIONS, BRAZIL IS EXTREMELY WARY OF APPEARING TO BE OUR SURROGATE OR A "SPLITTER". THE GOVERNMENT MEN AND THE PEOPLE IN GENERAL DO NOT HAVE THE PSYCHOLOGICAL HAND-UPS ABOUT US THAT MANY SPANISH-SPEAKING LATIN AMERICANS DO. IN ADDITION TO THE FACTORS ENUMERATED ABOVE THAT MAKE FOR MORE CORDIAL TIES WITH US THAN IS USUAL IN OTHER MODERN LATIN AMERICAN COUNTRIES, THE MATURITY AND SOPHISTICATION OF BRAZILIAN LEADERSHIP PERMIT A MORE BALANCED VIEW OF US AND INDEED THE WORLD.

38. IT SHOULD BE NOTED CAREFULLY, HOWEVER, THAT THIS RELAXED ATTITUDE TOWARD THE US SHOULD NOT BE CONFUSED WITH SENTIMENTALITY. THE INTELLIGENT, BALANCED GOVERNING ELITE OF TODAY'S BRAZIL IS OBVIOUSLY DEDICATED TO THE PURSUIT OF GRANDEUR AND AT LEAST MIDDLE-POWER STATUS FOR THEIR COUNTRY, AND ITS MEMBERS HAVE A CLEAR-EYED AND HARD-HEADED APPRECIATION OF THE NATIONAL INTEREST. THEIR JUDGMENTS ABOUT THE UNITED STATES AND OF BRAZIL'S RELATIONSHIP WITH IT ARE THE RESULT OF COLD, PRAGMATIC CALCULATION THAT IS IN PART BASED ON THE CONVICTION THAT THE UNITED STATES, A SUPERPOWER, JEALOUS OF ITS OWN INTERESTS, IS NOT TO BE FULLY TRUSTED.

39. THIS PRACTICAL APPROACH IS EVIDENT IN ALL THE BRAZILIAN GOVERNMENT'S DEALINGS WITH US. FOR EXAMPLE, SENIOR BRAZILIAN OFFICIALS HAVE TOLD US THAT THEY ARE

STUDYING THE TRADE ACT AND WAITING TO SEE HOW IT
WILL BE ADMINISTERED BEFORE ESTABLISHING A DEFINITIVE
REACTION. (THE FIRST OFFICIAL BRAZILIAN RESPONSE WAS
REASONABLY STRONG BUT NOT SO EMOTIONAL AS THOSE OF OTHER
LATIN AMERICANS.) AT THE SAME TIME THEY HAVE MADE IT
CLEAR THAT THEY ARE FULLY PREPARED "TO OPPOSE US NATION-
ALISM WITH BRAZILIAN NATIONALISM". I HAVE NO DOUBT ABOUT THEIR
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INTENTION TO RETALIATE QUICKLY AND EFFECTIVELY IF THE ACT BEGINS TO
SQUEEZE THEM.

40. BEYOND ITS LDC-TYPE DEMANDS ON US, ESPECIALLY ON
TRADE MATTERS AND ITS REFUSAL TO BE "USED", BRAZIL WANTS
ESSENTIALLY TO GUARD AGAINST ACTIONS BY US THAT MIGHT
RESTRICT ITS FREEDOM OF ACTION AS IT MOVES TO ASSUME
ITS PLACE IN THE WORLD. THIS SENSITIVITY WOULD PROBABLY
BE ESPECIALLY MARKED IN THE SOUTHERN CONE WHERE BRAZIL
HAS MAJOR INTEREST REVOLVING AROUND ITS RIVALRY WITH
ARGENTINA. THE SAME KIND OF ALERTNESS WAS EVIDENT IN
THE IMMEDIATE AND SHARP REACTION TO THE REFERENCES IN
THE MEXICO CITY MFM TO "COMMUNITY". IT IS QUITE WELL
ESTABLISHED, I BELIEVE, THAT THE BRAZILIANS INTERPRETED
THIS TO MEAN THAT THE UNITED STATES WAS CONSIDERING AN
ATTEMPT TO "KNIT UP" THE HEMISPHERE, WITH CONSEQUENT
POTENTIAL CONSTRAINTS UPON BRAZIL'S FREEDOM OF
MANEUVER. SOMETHING OF THE SAME CAUTION HAS BEEN EVIDENT
IN US-BRAZILIAN CONSULTATIONS ON CHILE, CUBA, AND THE
CHILEAN-PREFUVIAN PROBLEM.

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FOR THE SECRETARY AND ASSISTANT SECRETARY ROGERS

41. WITH RESPECT TO THE NEW DIALOGUE, BRAZIL HAS MAINTAINED FROM THE OUTSET A SKEPTICISM ABOUT THE PROSPECTS FOR ITS BEING GIVEN THE KIND OF CONTENT THE LATIN AMERICANS SOUGHT. TO SOME DEGREE THIS JUDGMENT REFLECTED BRAZILIAN DISAPPOINTMENT IN YOUR UNSUCCESSFUL EFFORT TO FORESTALL THE OPENING OF THE COUNTERVAILING PROCEEDING AGAINST SHOES. YOU WILL RECALL THAT THIS OCCURRED SHORTLY AFTER MEXICO CITY. IN A MORE PROFOUND SENSE, THE BRAZILIANS HAVE HAD DOUBTS ALL ALONG THAT THE EXECUTIVE WOULD BE ABLE OR WILLING TO RESIST PROTECTIONISM AND RESTRAINTS UPON RESOURCE TRANSFERS IN GENERAL. AS SUGGESTED EARLIER, THE BRAZILIAN MINISTRIES EXPECT THAT THE ACT AS ADMINISTERED WILL BE RESTRICTIONIST AND NOT LIBERAL. DESPITE THIS, OR BECAUSE OF IT, SILVEIRA WAS FULLY PREPARED TO HAVE THE TRADE ACT AS THE CENTERPIECE OF THE BUENOS AIRES MEETING, INSISTING PRIVATELY AND PUBLICLY THAT THE NEW DIALOGUE HAD BEEN DESIGNED SPECIFICALLY TO DEAL WITH MAJOR ISSUES LIKE THE TRADE ACT. AS OF THIS WRITING, SILVEIRA APPEARS TO BELIEVE THAT THE DIALOGUE, AT LEAST AS A FORUM, IS STILL VERY MUCH ALIVE IN HIS MIND.

42. THIS BRIEF DISCUSSION OF THE CHARACTERISTICS OF BRAZILIAN FOREIGN POLICY APPROACHES, PARTICULARLY AS THEY AFFECT THE UNITED STATES, AND THE SIMPLE FACT OF
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BRAZIL'S CONSTANTLY GROWING IMPORTANCE SUGGEST THAT OUR RELATIONS CAN AND SHOULD CONTINUE TO BE CONDUCTED INCREASINGLY ON THE BILATERAL PLANE. I CAN THINK OF NO MAJOR ISSUE THAT COULD NOT BE EXPLORED ON SUCH A BASIS. THIS DOES NOT MEAN THAT WE CAN ALWAYS STRIKE BARGAINS OR THAT WE CAN EXPECT TO "USE" BRAZIL, FOR EXAMPLE, TO DRIVE WEDGES IN THE LDC GROUP. IT DOES MEAN THAT BRAZIL WILL BE RECEPTIVE TO VERY PRACTICAL PROPOSALS OF MUTUAL BENEFIT AND WILL ASSESS THEM CAUTIOUSLY AND PRAGMATICALLY AGAINST THE INTERESTS THAT DRIVE ITS FOREIGN POLICY.
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